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Happiness, Joy & Prosperity

Market Strategy - Diwali Special | November - 2015

Research Team

Angel Broking
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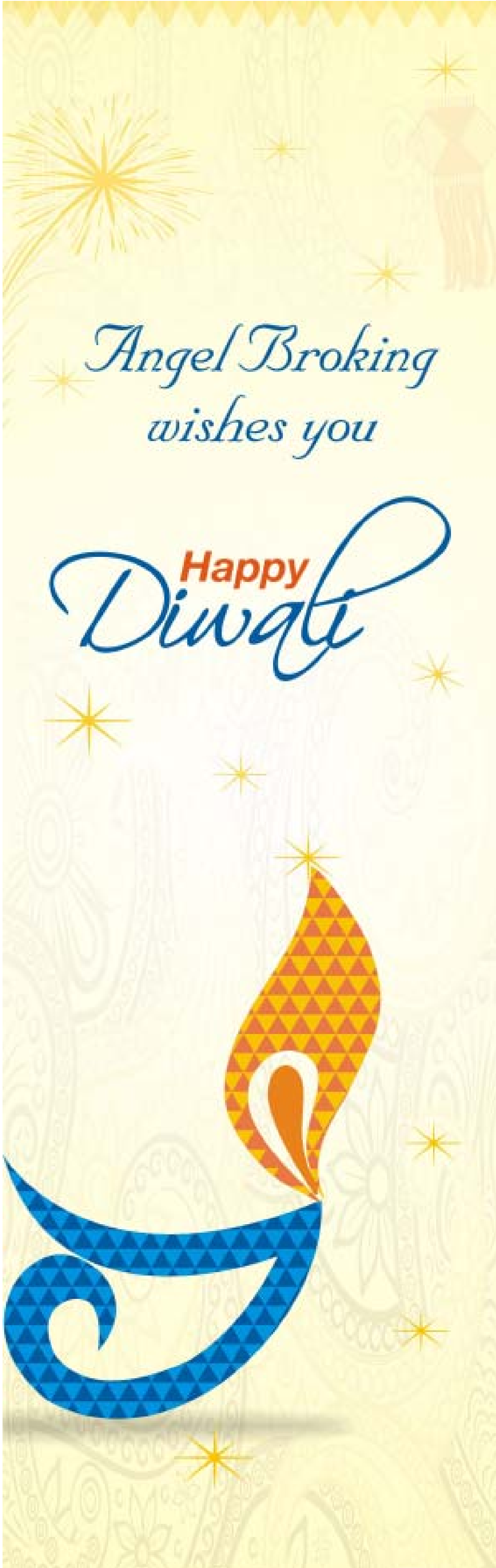
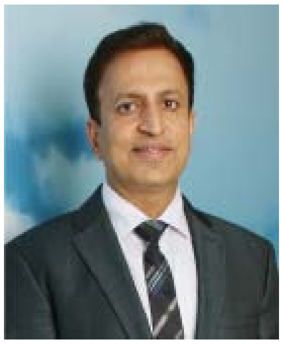
Market Strategy

Diwali Special



Dear Friends,



Dinesh Thakkar

Wish you and your family a very Happy Diwali and a Prosperous New Year!

Last year, I'd expressed confidence in India's strong prospects and India has indeed emerged as a sweet spot among global markets. With developed economies as well as China struggling for growth and other emerging economies coming under pressure due to falling commodity prices, India has stood out as a key beneficiary of cheaper commodities on one hand and a reformist, action-oriented government on the other.

Not surprisingly therefore, India has significantly outperformed other major emerging markets such as Brazil and Russia. The Sensex has appreciated 33% even in dollar terms over the last two years, while the Russian and Brazil benchmark indices have lost 40% and 50% in dollar terms. A major encouraging factor behind this outperformance is the increasing maturity and depth of our markets. Domestic inflows have remained strong, even offsetting the decline in foreign flows recently. This reflects the strong optimism and conviction amongst domestic retail investors about the India story!

The outperformance is testimony to our improving macros: our twin deficits continue to shrink, lower inflation is resulting in falling interest rates and the currency has remained relatively stable. Despite a 125bp cut in interest rates by the RBI in CY2015, the full effect of these cuts is only now being transmitted by banks and while this has delayed corporate earnings recovery by few quarters, but in my view, going forward, improvement in earnings should gather steam. Also with the declining inflation trajectory, the RBI has enough headroom to cut interest rates further by at least 50-100bp, so decline in interest rates is an important trigger that will continue to play out in coming quarters in my view. All the macro improvements coupled with a strong stable Government with effective leadership at the helm, have placed India in a position from where not just a year or two but the forthcoming many years look filled with potential to scale new highs.

Foreign inflows coupled with strong domestic investments are likely to lead to our markets outperforming all major markets over the next few years, re-affirming equities as the best asset class, while returns from other asset classes such as fixed income, gold and real estate are moderating. Therefore, in my view, this is an opportune time to increase exposure to equities as an asset class. As always, let me again reiterate that Angel Broking stands committed as your advisor to maximise your wealth by offering you the best advice. So this Diwali, let the markets add the required fireworks to your portfolio!

Best regards,

Dinesh Thakkar

Top Picks - Large Cap		
Company	**CMP (₹)**	**TP (₹)**
Amara Raja Batt.	903	1,040
Ashok Leyland	94	111
Axis Bank	475	630
HCL Technologies	870	1,132
HDFC Bank	1,097	1,262
ICICI Bank	277	348
Infosys	1,137	1,306
Larsen & Toubro	1,411	1,646
LIC Housing Fin.	488	571

Note: Investment period - 12 Months
BSE Sensex (26,657) and Price as on October 30, 2015

Top Picks - Mid Cap		
Company	**CMP (₹)**	**TP (₹)**
Inox Wind	398	505
Ipca Labs.	782	900
Jagran Prakashan	140	169
MT Educare	137	169
Radico Khaitan	101	119
Siyaram Silk	933	1,145
Surya Roshni	134	183

Note: Investment period - 12 Months
BSE Sensex (26,657) and Price as on October 30, 2015

India best placed among emerging economies

We have a positive view on the markets, as we believe that favourable macro cues such as low inflation, declining interest rates, cheap global commodities and strong governance are likely to drive improvement in corporate performance over the next 18-24 months. In our view, India is best placed within the emerging economies space and is likely to continue attracting higher fund inflows in the medium-term, notwithstanding any near-term global concerns.

Declining rates cycle, government stimulus to act as a catalyst for economic revival

So far, while inflation had been coming down, policy rates took longer to decline and banks had been even slower to cut rates. But, now decline in interest rates is gathering momentum even in the hands of the borrowers and in our view there is substantial headroom for rates to decline further by at least 100-150bps. This is considering that deposit growth is still meaningfully higher than credit growth (11.5% vs 9.5%) and inflation remains structurally low at sub-5% levels.

Further, while the 40-50%+ decline in prices of most major global commodities is a huge positive for the Indian economy in the wider context, but in the near-term, large corporates in the commodity space as well as banks have been negatively impacted and this has slowed corporate earnings growth as well as banks' ability to cut rates faster. However, going forward, as cheaper imports and sharply declining subsidies release huge funds for the government to spend on more productive areas such as infrastructure, we expect the positive stimulus from cheaper commodities to also gain momentum. This is already reflected in the substantial ordering activity by the government in recent months and strong pipeline going ahead (put together, in excess of ₹3.5lakh crores in next few quarters itself).

Prefer companies with strong competitive advantage, benefitting from evolving macros

From a top-down perspective, we expect themes like urbanisation, consumerism, domestic and export service sector plays as well as government spending plays to do well in the coming years. With falling rates and huge under-penetration, retail finance, including housing finance is likely to perform well and BFSI companies better aligned to this would continue to outperform. With reviving domestic macros, we expect auto sector volumes, especially in passenger four-wheeler and commercial vehicle space, to continue growing strongly. We prefer those OEMs and ancillaries that have strong competitive positioning and the ability to maintain or even gain market share, going ahead.

Post the election rally last year when all cyclical and midcap stocks had rallied, there has been a reality check and once again there is a preference for quality companies, which are aligned to the evolving macros. So companies in commoditised sectors where there is global over-supply will remain in the negative list for us. On the other hand, we continue to like defensive sectors like IT and pharma where Indian companies have strong competitive advantages on a global scale; within these sectors, we prefer those companies where margins have scope to improve relative to peers, which is not being factored in valuations currently.

From a bottom-up perspective, we continue to like select emerging midcap companies with strong brands, entrepreneurial success and healthy growth outlook. Overall, we expect the Sensex EPS to report a growth of ~11% in FY2016 and 17% in FY2017, with an upward bias. Attributing an 18x multiple to our FY2017E Sensex EPS, we arrive at a target of 31,500 for the Sensex, implying a 16% upside from the present levels with a 12-18 month horizon.

Top Picks - Large Cap

Amara Raja Batteries (CMP: ₹903/ TP: ₹1,040/ Upside: 15%)

- Amara Raja Batteries Ltd (ARBL) is the second largest lead acid storage battery manufacturer. ARBL has been outpacing market leader Exide (ARBL grew 24% CAGR over FY2010-15 as compared to Exide's growth of 13%), leading to market share improving from 25% in FY10 to about current 35% . ARBL's outperformance is mainly due to market share gains in automotive segment driven by introduction of technologically superior products developed with technological support from global battery leader Johnson Controls Inc (which also holds 26% stake in ARBL).
- With the automotive OEM policy of having multiple vendors and a strong brand recall in the replacement segment, ARBL is well poised to further gain market share. Given the economic recovery and market share gains, ARBL revenues are likely to grow strongly 18% over the next two years as against industry growth of 10-12%.
- ARBL is a well diversified auto ancillary player having presence across the automotive and the industrial segment and a broad OEM as well as replacement customer base. We believe ARBL is a high quality stock to play the auto sector revival. **We assign a P/E multiple of 28x to FY2017E earnings and arrive at a target price of ₹1,040/share.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	4,892	17.4	492	28.8	23.4	31.4	7.3	17.8	3.1
FY2017E	5,871	17.6	634	37.1	24.1	24.3	5.9	14.4	2.5

Ashok Leyland (CMP: ₹94/ TP: ₹111/ Upside: 18%)

- Ashok Leyland Ltd (ALL) is the second largest medium and heavy commercial vehicle (MHCV) manufacturer in the country, commanding a market share of about 28%. The MHCV segment is in an upcycle, given the uptick in economic growth which should result in better freight movement. Further, improvement in fleet operators profitability on account of firm freight rates and decline in diesel prices has led to huge pent up demand getting converted into sales. We expect the MHCV segment to post a 15% CAGR over FY2015-2018, thereby benefiting ALL.
- In order to reduce cyclicality, ALL is also focusing on increasing light commercial vehicles (LCVs) and exports. ALL-Nissan JV developed LCV - "Dost" has been received well and has captured a market share of 6% within three years of its launch. Also, ALL is targeting new markets in Africa and Middle East to increase export contribution from the current 15% to 33% over the next five years.
- ALL's margins are likely to improve 360 bp yoy over FY2015-17 period on account of double-digit growth in MHCVs and reduced discounting.
- We are positive on ALL, given the cyclical upturn in MHCVs and on account of additional growth avenues. **We assign EV/EBIDTA multiple of 13x to FY2017E EBIDTA to arrive at a target price of ₹111/share.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	18,763	11.1	1,036	3.6	18.7	26.0	4.8	13.6	1.4
FY2017E	22,357	11.2	1,365	4.8	22.6	19.5	4.4	11.1	1.1

Axis Bank (CMP: ₹475/ TP: ₹630/ Upside: 33%)

- **Consistent earnings growth along with expansion:** The bank has been reporting robust NII growth, backed by strong retail loan growth, coupled with healthy growth in CASA deposits. Over the past five years, Axis Bank has expanded its branch network at around 21.2% CAGR (~2,743 branches as of 2QFY2016). In its deposit mix as well, CASA and Retail Term Deposits now comprise a healthy 80%. Retail advances to total advances stands at ~40% as of 2015 against ~20% in FY2011.
- **Healthy Asset quality:** Sectors like engineering, iron & steel, infrastructure (including power) and textile have contributed a large part of the stressed assets for the banking industry. While Axis Bank's exposure to these sectors is at around 17%, the bank has been able to manage its asset quality relatively better than its public sector peers and has been able to keep its Gross as well as Net NPAs within control. The bank has guided at addition of stressed assets being lower in FY2016, than in FY2015.
- **Outlook:** Healthy pace of branch expansion and a strong distribution network continue to be the driving force for the bank's retail business. While the near term asset quality environment remains challenging, the bank in our view will be able to absorb the credit costs given the adequate profitability. Further, given its strong CASA and retail network, the bank is positioned strongly to benefit once the macros revive. The stock currently trades at 1.9x P/ABV FY2017E. **We recommend a Buy rating on the stock with a target price of ₹630.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2016E	26,473	3.5	8,472	35.7	213.1	1.7	17.9	13.3	2.2
FY2017E	31,527	3.6	10,309	43.5	246.9	1.8	18.9	10.9	1.9

HCL Technologies (CMP: ₹870/ TP: ₹1,132/ Upside: 30%)

- **Healthy pipeline:** In terms of order flow in FY2015, HCL Tech has signed 58 transformational engagements with US$5bn+ of TCV. During 1QFY2016, the company has signed in excess of US$1bn worth of orders and has indicated that its order book is 10% higher than its highest order book. These bookings saw significant momentum driven by Next-gen ITO, Engineering Services Outsourcing, Digital and Modern Apps deals, each of which had a component of new technology constructs like Digitalization, Cloud etc.
- **Robust outlook:** We expect HCL Tech to post a USD and INR revenue CAGR of 13.0% and 13.2%, respectively, over FY2015-17E. On the operating front, HCL Tech's EBIT margin has been around 22.3% in FY2015, a dip of 185bp over the previous financial year. Going ahead, the Management expects EBIT margins to sustain at 21-22%, driven by moving work offshore and efficiency-led gains. We expect the EBIT and PAT to post a 12.9% and 10.6% CAGR, respectively, over FY2015-17E.
- **Outlook and Valuations: At current valuations, the stock is attractively valued and hence we maintain our buy with a price target of ₹1,132.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	42,038	23.2	7,869	55.8	23.0	15.6	3.6	10.4	2.5
FY2017E	47,503	23.5	8,879	62.9	19.8	13.8	2.7	8.2	2.0

HDFC Bank (CMP: ₹1,097/ TP: ₹1,262/ Upside: 15%)

- **Strong capital adequacy, expanding network, to sustain traction in market share:** HDFC Bank's capital adequacy ratio as of 2QFY2016 stood strong at 15.5%, with Tier1 ratio at 12.8%, which positions the bank to continue on its growth path and increase its market share. During the past one year, the bank has added 627 branches which should aid it in maintaining above system-average retail loan growth on the asset side and CASA accretion on the liability side.
- **Asset quality rock-solid:** The bank has been able to maintain its asset quality consistently. Asset quality continued to remain healthy with the Gross NPA rate at 0.91% in a challenging macro environment while the Net NPA rate stands at 0.25%.
- **Outlook:** The bank's credit and deposit growth continues to beat the industry growth rate, driven by dominant market position in most retail business segments, healthy CASA and continued network expansion. This provides strong visibility for a robust 20% earnings trajectory, coupled with high quality of earnings on account of high quality retail business and strategic focus on highly rated corporates. This in our view justifies a premium valuation multiple. At the current market price, the bank is trading at 3.3x FY2017E ABV. **We recommend a Buy rating on the stock, with a target price of ₹1,262.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2016E	38,309	4.3	12,363	49.3	285.4	1.9	18.5	22.2	3.8
FY2017E	47,302	4.3	15,302	61.0	332.2	1.9	19.7	18.0	3.3

ICICI Bank (CMP: ₹277/ TP: ₹348/ Upside: 26%)

- **Strong CASA provides comfort:** ICICI Bank has strategically transformed itself over the past few years, which has resulted in a significantly better balance sheet and earnings quality. The CASA ratio, which was at 29% at the end of FY2009, has improved to around 45.5% as of FY2015. Apart from the paradigm shift in the deposit mix reflected in its healthy CASA ratio, the bank has gradually reduced its international business, which has led to sustainable improvement in its NIM.
- **Well positioned for cyclical revival:** The bank's substantial branch expansion from 1,438 branches at the end of FY2009 to nearly 4,050 branches by FY2015, and strong capital adequacy (Tier-I at 12.6%) has positioned it to grow its loan book at a faster clip as and when the business environment turns conducive.
- **Outlook:** At the current market price, the bank's core banking business (after adjusting ₹58/share towards value of subsidiaries) is trading at 1.5x FY2017E ABV. The valuation discount in our view vis-à-vis other private banks adequately factors in the relatively higher stressed assets that the bank is facing in the near term. **We recommend a Buy rating on the stock, with a target price of ₹348.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV* (x)
FY2016E	35,168	3.4	12,479	21.4	124.9	1.6	14.7	13.0	2.2
FY2017E	40,517	3.4	14,680	25.2	149.8	1.6	15.2	11.0	1.8

*Note: * without adjustment for subsidiaries*

Infosys (CMP: ₹1,137/ TP: ₹1,306/ Upside: 15%)

- **Guidance - to achieve a 10-12% CC growth in FY2016:** During 2QFY2016 Infosys has reinforced its USD revenue growth guidance of 10-12% on CC basis in FY2016; it has decreased its growth guidance for the current financial year from 7.2%-9.2% in US$ terms (given in 1QFY2016) to 6.4%-8.4% qoq in US$ terms. This change in the dollar revenue is mainly to factor in the anticipated currency movement. We expect the company to post ~10.7% USD revenue growth in FY2016.
- **Aims to be US$20bn company by FY2020:** The company expects its revenue to rise to US$20bn by FY2020, up from US$8.7bn now, as it focuses on acquisitions and win more new technology services, implying a 14% CAGR over the period. Over the near term, we expect Infosys to post a 10.7% USD revenue growth in FY2016. Over FY2015-17E, we expect USD and INR revenue to grow at a CAGR of 10.7% and 11.2%, respectively. The Management expects to lead industry growth from FY2017 onwards.
- **Outlook and Valuations: The stock trades at current valuations of 17.8x FY2017E earnings. We recommend a Buy on the stock with a price target of ₹1,306.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	60,250	27.0	12,955	56.4	20.4	20.1	4.1	13.0	3.6
FY2017E	66,999	28.0	14,629	63.7	19.8	17.8	3.5	11.1	3.1

Larsen & Toubro (CMP: ₹1,411/ TP: ₹1,646/ Upside: 17%)

- L&T's Management sees a bid pipeline of ₹3,70,000cr (₹1,00,000cr of this would be from the international markets), which are at different stages of awarding. Considering the huge bid-pipeline and the company's wide presence across sub-verticals, it should attain its 5-7% revised order inflow growth guidance for FY2016E.
- L&T, as of 2QFY2016-end, is sitting on an order book of ₹2,44,097cr, which gives revenue visibility for over the next 30 months. Considering the huge order book, we expect L&T to report a 12.5% yoy top-line growth for FY2016E.
- With legacy Hydro-carbons projects in Middle-East nearing completion, we expect the Hydro-carbons business to show signs of turn-around by 4QFY2016. Accordingly, L&T could see consol. EBITDA margin expansion, in FY2017.
- The standalone D/E ratio (2QFY2016) stands at 0.41x. Divestment of non-strategic holdings, further equity infusion in infra projects and listing of L&T InfoTech would address the IDPL equity requirements to a certain extent.
- Ascribing separate values to the parent business (on P/E basis) and to investments in subsidiaries (using P/E, P/BV and M-cap basis), we arrive at a FY2017E based target price of ₹1,646. At the current market price of ₹1,414, the standalone entity is trading at an implied P/E multiple of 14x (FY2017), which is attractive. We are of the view that L&T is a proxy play for investors wanting to ride on the revival of the Indian infrastructure growth story. **We recommend a Buy on the stock.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	64,148	11.5	5,776	61.5	13.4	22.9	2.3	19.5	2.2
FY2017E	73,241	11.7	6,155	65.6	14.0	21.5	2.1	16.9	2.0

LIC Housing Fin. (CMP: ₹488/ TP: ₹571/ Upside: 17%)

- **Significant under penetration of mortgages in India:** India is expected to witness a robust housing finance growth going forward as the mortgage penetration in India remains at very low levels at 8% to GDP as compared to the developed countries where it is in the range of 60-100%. Given the strong growth outlook (amongst the fastest growing loan segments at the industry levels, while overall credit growth remains sub-10%) as well as relatively healthy asset quality, in our view, make mortgage finance one of the most attractive BFSI segments.
- **NIM expansion visible:** LIC Housing Finance is able to raise funds from low-cost NCDs due to its strong AAA credit rating and backing by strong promoters like LIC. The company has seen a significant reduction in its cost of funds to 9.29% as against 9.68% a year ago. In a declining interest rate environment, NBFC's like LIC Housing are well-placed to increase margins in our view.
- **Outlook:** Despite competition in mortgages, volume growth in the individual loans segment remains fairly strong. LICHF continues to grow its retail loan book at a healthy pace with healthy asset quality. We expect the company to post a healthy loan book CAGR of 18.7% over 2015-17E which is likely to reflect in an earnings CAGR of 20.5%, over the same period. At the current market price, it is trading at 2.4x FY2017E ABV. **We recommend a Buy rating on the stock, with a target price of ₹571.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2016E	3,101	2.5	1,664	33.0	176.7	1.4	19.7	14.8	2.8
FY2017E	3,745	2.5	2,029	40.2	207.6	1.4	20.5	12.2	2.4

Top Picks - Mid Cap

Inox Wind (CMP: ₹398/ TP: ₹505/ Upside: 27%)

- Inox Wind Ltd (IWL) is one of the leading manufacturers of wind turbine generators in India. The company also provides turnkey solutions and operation and maintenance services for wind power projects. The government is laying emphasis on the renewable energy sector and has set an ambitious target of 60GW of installed wind energy capacity by 2022 as against current capacity of 23.5GW, which will generate a huge opportunity for companies like IWL in the upcoming years.
- IWL had an order book of 1.2GW as of 2QFY2016. This is the largest order book size for any domestic wind turbine player in the industry. The strong order book provides revenue visibility over the next 12-15 months. The company also has project sites worth in excess of 5GW, which have been acquired or are under various stages of acquisition. Thus, IWL has a healthy revenue visibility in the medium term.
- We expect IWL to report 48% revenue CAGR over FY2015-17, largely supported by strong volume growth of 46%. The stock is currently trading at 12.6x its FY2017E EPS; given the attractive valuation, **we maintain our Buy rating on the stock. We have assigned a multiple of 16x to its FY2017E EPS of ₹31.6 to arrive at a target price of ₹505.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	4,980	17.0	590	26.6	35.0	15.0	4.5	11.3	1.9
FY2017E	5,943	17.5	701	31.6	30.0	12.6	3.3	8.9	1.6

Ipca Labs. (CMP: ₹782/ TP: ₹900/ Upside: 15%)

- **Domestic formulations business - the cash cow:** IPCA has been successful in changing its business focus to the high-margin chronic and lifestyle segments from the low-margin anti-malarial segment. The chronic and lifestyle segments, comprising CVS, anti-diabetics, pain-management, CNS and dermatology products, constitute more than 50% of the company's domestic formulation sales.
- **Exports to be the next growth driver:** On the formulations front, IPCA has been increasing its penetration in regulated markets, viz Europe and the US, by expanding the list of generic drugs backed by its own API. However, after the USFDA inspection at the company's 3 manufacturing facilies, the company has received import alerts, consequent to which the company had voluntarily decided to temporarily suspend shipments from these manufacturing facility to the US markets till this issue was addressed. These developments have impacted FY2015/FY2016.
- **Outlook and Valuations:** For FY2016, the Management has given a guidance of 7-8% yoy growth on the sales front. While the problems are likely to persist in FY2016, still, given the valuations, **we maintain our Buy rating on the stock with a price target of ₹900.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	3,363	12.9	169	13.4	7.4	58.4	4.2	24.7	3.2
FY2017E	3,909	18.6	354	28.0	14.0	27.9	3.7	14.7	2.7

Jagran Prakashan (CMP: ₹140/ TP: ₹169/ Upside: 21%)

- We expect Jagran Prakashan (JPL) to register a healthy net sales CAGR of ~15% over FY2015-17E, on back of (a) strong growth in advertising revenue due to improvement in GDP growth, (b) improvement in circulation revenue owing to combination of increase in cover price and volume growth.
- Further the acquisition of a radio business (Radio City) would also boost the company's revenue going ahead. Radio City has ~20 stations across 7 states in the country and is second only to ENIL in all its operating circles, ie Delhi, Mumbai, Bengaluru, Chennai, Ahmedabad, Hyderabad, Pune and Lucknow. The company covers ~51% (~66mn people) of the total radio population.
- Raw material prices (newsprint costs) have been declining over the past 5 quarters and are expected to remain stable, going forward. Thus, considering lower news print costs, healthy sales, and higher margins in the radio business, we expect the company to post a net profit CAGR of ~27% over FY2015-17E to ₹325cr.
- Considering Dainik Jagran's status as the most read Hindi newspaper and its strong presence in the rapidly growing Hindi markets of Bihar, Haryana, Jharkhand, Punjab, Madhya Pradesh and Uttar Pradesh, we expect JPL to benefit from an eventual recovery in the Indian economy. **Hence, we maintain our Buy rating on the stock with a target price of ₹169.**

Y/E March	Sales (₹ cr)	OPM (%)	Adj. PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	2,170	26.9	290	8.9	21.8	15.8	3.0	7.1	1.9
FY2017E	2,355	27.6	325	9.9	19.4	14.1	2.9	5.6	1.6

MT Educare (CMP: ₹137/ TP: ₹169/ Upside: 23%)

- MT Educare has strong positioning in the Secondary School and Higher Secondary School coaching business in Mumbai location (contributes ~80% to the overall revenue). The company , this year, has introduced a technology, the unique - Learning Management System (LMS) - for strengthening its offering in its core business.
- We expect MT Educare to report a healthy top-line performance, going forward, on the back of strong growth across the pre-university (PU) college business, Shri Gayatri Educational Society (SGES), and the Lakshya business. Further, we also expect the company to report a strong growth in the CA segment in Tamil Nadu and Mumbai.
- We expect strong revenue from government projects. In this segment, MT Educare provides coaching for competitive exams like Engineering, Medical, CA etc. to backward classes and poor students who can't afford coaching fees, while the fees are subsidised by the government.
- We estimate MT Educare to report net sales CAGR of ~27% to ~₹366cr and adj.net profit CAGR of ~20% to ₹37cr over FY2015-17E. At the current market price, MT Educare trades at a P/E of 14.6x its FY2017E earnings. **We have a Buy rating on the stock and target price of ₹169 (18x FY2017E EPS).**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	286	18.3	31	7.7	21.0	17.7	3.7	10.5	1.8
FY2017E	366	17.7	37	9.4	22.2	14.6	3.3	8.3	1.4

Radico Khaitan (CMP: ₹101/ TP: ₹119/ Upside: 18%)

- The IFML segment is under penetrated and leaves scope for growth for domestic liquor companies. Going forward, increase in income levels would lead to higher growth in IFML brands. RKL has strong brands in the premium liquor category, which should lead to higher revenue for the company. The company's premium offerings reported a CAGR of ~26% over the last seven-year period, and we expect the growth momentum to continue.
- We expect the price of ENA (key raw material) to remain stable and potentially even decline, going forward. This is because sugar production during the year has risen by ~16% yoy and demand for ethanol from Indian oil marketing companies for blending with petrol is also expected to be lower due to an unfavourable price differential.
- We expect a significant hike in liquor prices in the coming financial year as there haven't been any significant ones in recent times. Also, we believe that industry leader - United Spirit would shift focus on profitability over volume growth considering the debt on its Balance Sheet, which in turn, would lead to increased scope for other liquor companies to hike prices.
- RKL is trading at 1-year forward EV/Sales multiple of 1.3x, which is at huge discount to its close peer, United Spirits (4.6x). **We have a Buy rating on the stock and target price of ₹119 (18x FY2017E EPS).**

Y/E March	Sales (₹ cr)	OPM (%)	PAT* (₹ cr)	EPS* (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	1,565	11.9	72	5.4	8.0	18.7	1.5	11.1	1.4
FY2017E	1,687	12.4	88	6.6	9.0	15.4	1.4	9.7	1.3

Siyaram Silk (CMP: ₹933/ TP: ₹1,145/ Upside: 23%)

- SSML has strong brands which cater to premium as well as popular mass segments of the market. The company's brands include Siyaram's Mistair, J. Hampstead, Royal Linen, Casa, Moda, Zenesis ,Moretti etc. Further, in FY2014, SSML entered the ladies' salwar kameez and ethnic wear segment with its brand Siya. Going forward, we believe that the company would be able to leverage its brand equity and continue to post strong performance.
- The company has a nationwide network of about 1,600 dealers and business partners, which enables it to scale the entire country. The company has a retail network of 160 stores and plans to add another 300-350 stores over the next three or four years. Further, the company's brands are sold across 3,00,000 multi brand outlets in the country.
- Going forward, we expect SSML to report a net sales CAGR of ~10% to ~₹1,815cr and adj.net profit CAGR of ~12% to ₹98cr over FY2015-17E on back of market leadership in blended fabrics, strong brand building, wide distribution channel, strong presence in tier II and tier III cities and emphasis on latest designs and affordable pricing points. At the current market price, SSML trades at an inexpensive valuation (at a P/E of 9.0x its FY2017E earnings). **We have a Buy rating on the stock and target price of ₹1,145 (11x FY2017E EPS).**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	1,636	11.5	84	89.9	17.9	10.4	1.7	6.0	0.7
FY2017E	1,815	11.5	98	104.1	17.8	9.0	1.5	5.3	0.6

Surya Roshni (CMP: ₹134/ TP: ₹183/ Upside: 37%)

- **To benefit from structural shift in lighting industry:** We expect SRL to benefit from the structural shift in the lighting industry towards LED lighting, which is expected to grow at a CAGR of 28% over FY2015E-21E. SRL is the second largest lighting company in India with a market share of ~ 25%. With demand for LEDs expected to rise, the company would be a key beneficiary, given that the company's "Surya" brand is well recognized and has superior market reach comprising of 2 lakh plus retailers.
- **Higher contribution from lighting division to boost margins:** SRL's other business, Steel Pipes, entails low profitability and has higher debt, thus having resulted in high overall debt/equity for the company. The Lighting business' contribution to the overall top-line of the company has increased from 30% in FY2012 to 40% in FY2015. The Lighting business commands higher margins (10.7%) vs. the steel business (2.9%) and contributes 70% to the profitability. We expect the Lighting business's contribution to rise on account of growth coming in from LEDs, thus enhancing overall profitability.
- **Declining interest rates to assist in reducing debt burden:** We expect SRL to benefit from a reduction in interest rates by the RBI (75bp FY2016). With interest rates expected to reduce further, SRL's interest expense will be lower and we expect the company to use its healthy cash flows from the Lighting business to slowly reduce its debt.
- **Outlook and Valuations:** In our view, SRL would benefit from a higher contribution from the Lighting business and a lower interest rate environment, going forward. SRL trades at cheap valuation of 7.3x its FY2017 earnings. **We have a Buy rating on the stock with a target price of ₹183.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2016E	2,992	8.3	64	14.7	9.7	9.1	0.8	5.8	0.5
FY2017E	3,223	8.5	80	18.3	11.0	7.3	0.8	5.2	0.4

Stock Watch

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr) FY16E	Sales (₹ cr) FY17E	OPM (%) FY16E	OPM (%) FY17E	EPS (₹) FY16E	EPS (₹) FY17E	PER (x) FY16E	PER (x) FY17E	P/BV (x) FY16E	P/BV (x) FY17E	RoE (%) FY16E	RoE (%) FY17E	EV/Sales (x) FY16E	EV/Sales (x) FY17E
Agri / Agri Chemical																		
Rallis	Neutral	207	-	4,017	2,075	2,394	14.4	14.4	9.5	11.0	21.7	18.8	4.3	3.7	21.1	21.3	2.0	1.7
United Phosphorus	Accumulate	461	510	19,754	13,698	15,752	17.6	17.6	32.1	38.5	14.4	12.0	2.8	2.3	21.4	21.3	1.5	1.3
Auto & Auto Ancillary																		
Ashok Leyland	Buy	94	111	26,652	18,763	22,357	11.1	11.2	3.6	4.8	26.0	19.5	4.8	4.4	18.7	22.6	1.4	1.1
Bajaj Auto	Neutral	2,550	-	73,777	24,115	27,600	21.3	21.0	136.8	157.2	18.6	16.2	6.0	5.1	32.2	31.5	2.6	2.3
Eicher Motors	Buy	17,762	22,859	48,210	11,681	15,550	15.3	16.9	358.5	564.3	49.5	31.5	14.9	11.1	29.8	34.9	4.0	3.0
Hero Motocorp	Neutral	2,585	-	51,619	28,561	31,559	14.7	14.7	151.1	163.2	17.1	15.8	6.6	5.6	38.7	35.6	1.6	1.5
L G Balakrishnan & Bros	Neutral	464	-	729	1,254	1,394	11.6	11.8	35.9	41.7	12.9	11.1	1.8	1.5	13.5	13.8	0.7	0.6
Mahindra and Mahindra	Accumulate	1,183	1,357	73,444	37,986	42,660	12.8	13.2	51.6	61.9	22.9	19.1	3.4	3.0	14.6	15.6	1.6	1.3
Maruti	Accumulate	4,449	4,960	134,385	57,865	68,104	16.4	16.7	176.3	225.5	25.2	19.7	4.9	4.2	19.4	21.2	2.1	1.7
Minda Industries	Buy	521	652	827	2,567	2,965	7.3	8.0	38.8	54.3	13.4	9.6	1.9	1.6	14.4	16.8	0.4	0.3
Rane Brake Lining	Accumulate	322	366	255	454	511	11.1	11.4	23.8	28.1	13.5	11.4	1.9	1.7	14.2	15.3	0.7	0.6
Setco Automotive	Neutral	227	-	607	594	741	12.7	13.7	8.4	15.8	27.1	14.4	2.8	2.4	10.4	16.9	1.5	1.2
Tata Motors	Accumulate	384	424	110,999	264,038	297,882	13.8	13.9	34.5	38.9	11.1	9.9	1.9	1.6	17.6	16.8	0.6	0.5
TVS Motor	Accumulate	265	296	12,609	11,845	14,040	7.2	9.0	10.4	17.4	25.5	15.3	6.4	4.9	25.1	32.0	1.0	0.9
Amara Raja Batteries	Buy	903	1,040	15,427	4,892	5,871	17.4	17.6	28.8	37.1	31.4	24.3	7.3	5.9	23.4	24.1	3.1	2.5
Exide Industries	Accumulate	150	162	12,737	6,950	7,784	14.4	14.8	6.6	7.3	22.7	20.5	2.9	2.6	12.6	12.8	1.5	1.4
Apollo Tyres	Neutral	171	-	8,707	12,576	12,978	16.8	16.1	22.3	19.9	7.7	8.6	1.3	1.2	17.2	13.4	0.8	0.8
Ceat	Neutral	1,082	-	4,376	6,041	6,597	14.1	13.7	99.5	111.9	10.9	9.7	2.1	1.8	19.6	18.5	0.9	0.7
JK Tyres	Neutral	101	-	2,300	7,446	7,669	15.2	14.0	19.6	18.4	5.2	5.5	1.3	1.1	25.2	19.5	0.7	0.6
Swaraj Engines	Neutral	937	-	1,164	552	630	14.2	14.7	44.6	54.1	21.0	17.3	4.9	4.4	23.2	25.6	2.0	1.7
Subros	Neutral	89	-	534	1,268	1,488	11.6	11.9	3.7	6.6	24.1	13.5	1.6	1.5	6.8	11.4	0.7	0.6
Indag Rubber	Neutral	195	-	511	283	329	17.0	17.2	13.0	15.4	15.0	12.6	3.3	2.7	21.8	21.6	1.5	1.3
Banking																		
Allahabad Bank	Neutral	75	-	4,504	8,332	9,259	2.8	2.8	21.0	25.6	3.6	2.9	0.4	0.3	9.8	10.9	-	-
Axis Bank	Buy	475	630	112,936	26,473	31,527	3.5	3.6	35.7	43.5	13.3	10.9	2.6	2.2	17.9	18.9	-	-
Bank of Baroda	Neutral	160	-	36,936	19,105	21,474	2.0	2.0	19.1	24.7	8.4	6.5	0.9	0.8	10.2	12.1	-	-
Bank of India	Neutral	132	-	10,422	15,972	17,271	1.9	2.0	15.3	33.3	8.6	3.9	0.4	0.3	3.6	7.6	-	-
Canara Bank	Neutral	277	-	15,044	15,251	16,725	2.0	2.0	59.3	68.6	4.7	4.0	0.5	0.4	10.1	10.7	-	-
Dena Bank	Neutral	42	-	2,710	3,440	3,840	2.1	2.3	7.2	10.0	5.8	4.2	0.4	0.4	6.1	7.9	-	-
Federal Bank	Neutral	54	-	9,329	3,477	3,999	3.0	3.0	5.0	6.2	10.8	8.7	1.1	1.0	10.5	11.9	-	-
HDFC	Neutral	1,257	-	198,346	10,358	11,852	3.3	3.3	41.1	47.0	30.6	26.7	5.8	5.3	24.7	24.9	-	-
HDFC Bank	Buy	1,097	1,262	276,258	38,309	47,302	4.3	4.3	49.3	61.0	22.2	18.0	3.8	3.3	18.5	19.7	-	-
ICICI Bank	Buy	277	348	160,873	35,168	40,517	3.4	3.4	21.4	25.2	13.0	11.0	2.2	1.8	14.7	15.2	-	-
IDBI Bank	Neutral	86	-	13,778	9,625	10,455	1.8	1.8	8.5	14.2	10.1	6.0	0.6	0.6	5.9	9.3	-	-
Indian Bank	Neutral	125	-	6,008	6,160	6,858	2.4	2.5	24.5	29.8	5.1	4.2	0.4	0.4	7.7	8.6	-	-
LIC Housing Finance	Buy	480	571	24,229	3,101	3,745	2.5	2.5	33.0	40.2	14.6	12.0	2.7	2.3	19.7	20.5	-	-
Oriental Bank	Neutral	135	-	4,045	7,643	8,373	2.4	2.4	37.2	45.4	3.6	3.0	0.3	0.3	8.2	9.4	-	-

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
					FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Punjab Natl.Bank	Neutral	128	-	25,213	23,638	26,557	2.8	2.8	17.9	27.2	7.2	4.7	0.7	0.6	8.5	12.0	-	-
South Ind.Bank	Neutral	21	-	2,768	1,965	2,185	2.5	2.5	2.5	3.3	8.2	6.2	0.8	0.7	9.5	11.6	-	-
St Bk of India	Buy	237	295	184,133	82,520	93,299	2.7	2.8	20.0	24.5	11.8	9.7	1.3	1.1	11.5	12.8	-	-
Union Bank	Neutral	157	-	10,793	12,646	14,129	2.3	2.4	31.0	39.1	5.1	4.0	0.5	0.5	9.8	11.4	-	-
Vijaya Bank	Neutral	37	-	3,157	3,536	3,827	1.8	1.9	5.5	6.7	6.6	5.5	0.5	0.5	7.8	8.8	-	-
Yes Bank	Buy	759	914	31,804	7,228	9,043	3.2	3.3	57.7	69.4	13.1	10.9	2.3	2.0	19.1	19.6	-	-
Capital Goods																		
ACE	Neutral	42	-	419	660	839	4.7	8.2	1.0	3.9	42.4	10.9	1.3	1.2	3.2	11.3	0.8	0.6
BEML	Neutral	1,167	-	4,859	3,277	4,006	6.0	8.9	29.2	64.3	40.0	18.1	2.2	2.0	5.7	11.7	1.6	1.2
BGR Energy	Neutral	110	-	790	3,615	3,181	9.5	9.4	16.7	12.4	6.6	8.8	0.6	0.6	10.0	7.0	0.6	0.8
BHEL	Neutral	199	-	48,671	33,722	35,272	10.8	11.7	10.5	14.2	18.9	14.0	1.4	1.3	7.0	9.0	1.5	1.5
Blue Star	Neutral	389	-	3,499	3,649	4,209	5.0	5.9	9.1	14.7	42.5	26.4	7.7	7.2	9.1	17.5	1.0	0.9
Crompton Greaves	Buy	174	204	10,902	13,484	14,687	4.9	6.2	4.5	7.1	38.7	24.5	2.7	2.6	7.2	10.8	0.9	0.8
Inox Wind	Buy	398	505	8,829	4,980	5,943	17.0	17.5	26.6	31.6	15.0	12.6	4.5	3.3	35.0	30.0	1.9	1.6
KEC International	Neutral	134	-	3,449	8,791	9,716	6.1	6.8	5.4	8.2	24.8	16.4	2.5	2.3	10.0	14.0	0.6	0.6
Thermax	Neutral	848	-	10,104	6,413	7,525	7.4	8.5	30.5	39.3	27.8	21.6	4.3	3.7	15.0	17.0	1.5	1.3
Cement																		
ACC	Buy	1,376	1,630	25,836	13,151	14,757	16.4	18.3	63.9	83.4	21.5	16.5	2.8	2.5	13.3	16.1	1.8	1.5
Ambuja Cements	Accumulate	207	233	32,171	11,564	12,556	19.4	20.7	8.9	10.1	23.3	20.5	2.9	2.8	12.8	13.8	2.4	2.2
India Cements	Buy	78	112	2,405	4,716	5,133	15.9	16.9	3.7	7.5	21.2	10.4	0.8	0.7	3.8	7.3	0.8	0.7
JK Cement	Accumulate	678	767	4,738	4,056	4,748	14.5	17.0	22.6	41.1	30.0	16.5	2.7	2.4	9.3	15.3	1.6	1.3
J K Lakshmi Cement	Buy	372	430	4,376	2,947	3,616	16.7	19.9	11.5	27.2	32.3	13.7	3.1	2.6	9.8	20.8	1.9	1.5
Mangalam Cements	Neutral	227	-	607	1,053	1,347	10.5	13.3	8.4	26.0	27.1	8.7	1.1	1.1	4.3	12.5	0.9	0.7
Orient Cement	Accumulate	164	183	3,353	1,854	2,524	21.2	22.2	7.7	11.1	21.3	14.7	3.1	2.6	13.3	15.7	2.5	1.8
Ramco Cements	Neutral	362	-	8,612	4,036	4,545	20.8	21.3	15.1	18.8	24.0	19.2	2.9	2.6	12.9	14.3	2.6	2.3
Shree Cement^	Neutral	12,328	-	42,948	7,150	8,742	26.7	28.6	228.0	345.5	54.1	35.7	8.0	6.7	15.7	20.3	5.8	4.6
UltraTech Cement	Accumulate	2,884	3,282	79,134	25,021	30,023	19.1	21.6	89.0	132.0	32.4	21.8	3.8	3.3	12.2	15.9	3.2	2.7
Construction																		
ITNL	Neutral	94	-	3,084	7,360	8,825	34.0	35.9	1.0	5.0	93.8	18.8	0.4	0.4	0.3	1.4	3.8	3.7
KNR Constructions	Neutral	581	-	1,633	915	1,479	14.3	13.9	20.3	37.2	28.6	15.6	2.6	2.3	9.6	15.6	1.9	1.2
Larsen & Toubro	Buy	1,411	1,646	131,330	64,148	73,241	11.5	11.7	61.5	65.6	22.9	21.5	2.3	2.1	13.4	14.0	2.2	2.0
Gujarat Pipavav Port	Neutral	161	-	7,786	629	684	51.0	52.2	6.4	5.9	25.2	27.4	3.3	3.0	15.9	12.7	12.0	10.8
MBL Infrastructures	Buy	209	285	866	2,313	2,797	12.2	14.6	19.0	20.0	11.0	10.4	1.1	1.1	11.3	10.6	1.1	1.0
Nagarjuna Const.	Neutral	81	-	4,475	7,892	8,842	8.3	9.1	2.4	5.3	33.5	15.2	1.3	1.3	4.2	8.6	0.8	0.7
PNC Infratech	Neutral	513	-	2,631	1,798	2,132	13.2	13.5	22.0	30.0	23.3	17.1	2.1	1.9	11.5	11.4	1.6	1.3
Simplex Infra	Neutral	324	-	1,605	6,241	7,008	10.4	10.7	20.0	36.0	16.2	9.0	1.3	1.2	6.8	11.1	0.8	0.6

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr) FY16E	Sales (₹ cr) FY17E	OPM (%) FY16E	OPM (%) FY17E	EPS (₹) FY16E	EPS (₹) FY17E	PER (x) FY16E	PER (x) FY17E	P/BV (x) FY16E	P/BV (x) FY17E	RoE (%) FY16E	RoE (%) FY17E	EV/Sales (x) FY16E	EV/Sales (x) FY17E
FMCG																		
Asian Paints	Neutral	829	-	79,489	16,553	19,160	16.0	16.2	17.7	21.5	46.9	38.5	12.4	11.2	29.4	31.2	4.6	4.0
Britannia	Neutral	3,227	-	38,717	8,065	9,395	9.6	10.2	47.2	65.5	68.4	49.3	22.7	21.5	38.3	41.2	4.6	4.0
Colgate	Neutral	956	-	26,011	4,836	5,490	19.5	19.7	48.5	53.2	19.7	18.0	14.5	12.6	99.8	97.5	5.3	4.6
Dabur India	Neutral	270	-	47,469	9,370	10,265	17.1	17.2	7.3	8.1	36.8	33.4	11.1	9.0	33.7	30.6	5.0	4.5
GlaxoSmith Con*	Neutral	5,976	-	25,133	4,919	5,742	17.2	17.4	168.3	191.2	35.5	31.3	10.1	8.6	28.8	28.9	4.7	4.0
Godrej Consumer	Neutral	1,264	-	43,040	10,168	12,886	16.1	16.1	32.1	38.4	39.4	32.9	8.0	7.4	19.7	21.0	4.3	3.4
HUL	Neutral	802	-	173,510	34,940	38,957	17.5	17.7	20.8	24.7	38.5	32.5	42.9	34.3	110.5	114.2	4.8	4.3
ITC	Buy	335	409	268,647	41,068	45,068	37.8	37.4	13.9	15.9	24.0	21.1	8.1	7.1	34.1	33.8	6.2	5.6
Marico	Neutral	387	-	24,978	6,551	7,766	15.7	16.0	10.4	12.5	37.3	31.0	10.8	9.0	33.2	32.4	3.7	3.2
Nestle*	Accumulate	6,180	6,646	59,580	11,291	12,847	22.2	22.3	158.9	184.6	38.9	33.5	20.3	18.3	55.0	57.3	5.1	4.5
Tata Global	Accumulate	133	144	8,394	8,635	9,072	9.8	9.9	6.5	7.6	20.5	17.5	2.0	2.0	6.8	7.4	0.9	0.9
IT																		
HCL Tech^	Buy	870	1,132	122,281	42,038	47,503	23.2	23.5	55.8	62.9	15.6	13.8	3.6	2.7	23.0	19.8	2.5	2.0
Infosys	Accumulate	1,136	1,306	260,944	60,250	66,999	28.0	28.0	58.3	63.7	19.5	17.8	4.1	3.5	20.9	19.7	3.6	3.1
TCS	Buy	2,497	3,165	492,075	111,274	126,852	28.4	28.7	125.4	143.9	19.9	17.4	7.9	7.3	39.9	42.2	4.0	3.5
Tech Mahindra	Buy	539	646	51,865	25,566	28,890	16.0	17.0	26.3	31.9	20.5	16.9	3.7	3.1	17.9	18.6	1.8	1.5
Wipro	Buy	573	719	141,599	52,414	58,704	23.7	23.8	38.4	42.3	14.9	13.6	2.9	2.6	19.5	18.0	2.3	1.9
Media																		
D B Corp	Accumulate	325	356	5,961	2,241	2,495	27.8	27.9	21.8	25.6	14.9	12.7	3.9	3.4	26.7	28.5	2.6	2.3
HT Media	Neutral	83	-	1,933	2,495	2,603	11.2	11.2	7.3	8.6	11.4	9.7	0.9	0.8	7.4	8.1	0.3	0.3
Jagran Prakashan	Buy	140	169	4,569	2,170	2,355	26.9	27.6	8.9	9.9	15.8	14.1	3.0	2.9	21.8	19.4	1.9	1.6
Sun TV Network	Neutral	396	-	15,594	2,779	3,196	70.2	70.5	22.8	27.3	17.4	14.5	4.3	3.9	26.7	28.3	5.4	4.6
Hindustan Media Ven.	Neutral	270	-	1,985	920	1,031	20.0	20.0	19.2	20.9	14.1	13.0	2.3	2.0	16.4	15.3	1.7	1.5
Metal																		
Coal India	Buy	320	400	202,060	77,508	85,330	21.4	23.7	24.8	27.6	12.9	11.6	5.0	4.7	38.6	41.6	1.9	1.7
Hind. Zinc	Accumulate	157	175	66,316	14,641	14,026	50.4	50.4	17.7	16.0	8.9	9.8	1.4	1.2	16.2	13.2	2.1	2.0
Hindalco	Neutral	84	-	17,356	104,356	111,186	8.7	9.5	6.7	11.1	12.5	7.6	0.4	0.4	3.5	5.9	0.7	0.6
JSW Steel	Neutral	912	-	22,038	42,308	45,147	16.4	20.7	(10.3)	49.5	-	18.4	1.0	1.0	(1.0)	5.6	1.6	1.5
NMDC	Neutral	100	-	39,627	8,237	10,893	46.6	44.5	9.9	11.7	10.0	8.6	1.1	1.0	12.4	13.0	4.6	3.5
SAIL	Neutral	53	-	22,034	45,915	53,954	7.2	10.5	1.5	4.4	35.4	12.2	0.5	0.5	2.3	4.1	1.1	1.0
Vedanta	Neutral	100	-	29,647	71,445	81,910	26.2	26.2	12.9	19.2	7.8	5.2	0.5	0.5	7.2	8.9	0.9	0.7
Tata Steel	Neutral	247	-	23,965	126,760	137,307	8.9	11.3	6.4	23.1	38.8	10.7	0.8	0.8	2.0	7.1	0.8	0.7
Oil & Gas																		
Cairn India	Neutral	154	-	28,798	11,323	12,490	49.4	51.0	20.7	20.6	7.4	7.4	0.5	0.5	6.4	6.1	1.6	0.9
GAIL	Neutral	309	-	39,158	64,856	70,933	9.1	9.6	24.0	28.9	12.9	10.7	1.1	1.0	8.8	9.6	0.8	0.7
ONGC	Neutral	248	-	212,048	154,564	167,321	36.8	37.4	28.6	32.5	8.7	7.6	1.1	1.0	12.7	13.5	1.6	1.5
Petronet LNG	Accumulate	193	210	14,498	29,691	31,188	5.8	6.2	12.8	13.4	15.1	14.4	2.3	2.0	15.8	14.8	0.6	0.5
Indian Oil Corp	Accumulate	399	455	96,900	359,607	402,760	5.9	6.1	42.5	48.7	9.4	8.2	1.3	1.1	14.1	14.3	0.4	0.3
Reliance Industries	Accumulate	948	1,050	306,954	304,775	344,392	12.6	13.4	91.3	102.6	10.4	9.2	1.2	1.1	11.8	12.0	0.9	0.8

Company Name	Reco	CMP	Target	Mkt Cap	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
		(₹)	Price (₹)	(₹ cr)	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Pharmaceuticals																		
Alembic Pharma	Neutral	678	-	12,789	2,601	3,115	21.2	20.2	20.8	23.9	32.6	28.4	10.5	7.9	37.2	31.8	4.9	4.1
Aurobindo Pharma	Neutral	835	-	48,755	14,923	17,162	23.0	23.0	38.2	43.6	21.9	19.1	6.7	5.1	36.0	30.2	3.6	3.1
Aventis*	Neutral	4,545	-	10,467	2,082	2,371	17.4	20.8	118.2	151.5	38.5	30.0	5.6	4.5	19.9	25.5	4.7	3.9
Cadila Healthcare	Neutral	416	-	42,629	10,224	11,840	21.0	22.0	14.6	17.6	28.5	23.7	7.8	6.1	30.8	29.0	4.2	3.6
Cipla	Neutral	690	-	55,402	14,359	16,884	21.3	19.7	28.4	30.5	24.3	22.6	4.3	3.7	19.3	17.5	3.8	3.2
Dr Reddy's	Neutral	4,270	-	72,802	18,213	21,214	22.6	22.7	163.0	192.5	26.2	22.2	5.4	4.4	22.5	20.0	4.0	3.3
Dishman Pharma	Neutral	362	-	2,921	1,716	1,888	20.2	20.2	16.3	21.6	22.2	16.8	2.1	1.9	9.7	11.7	1.9	1.6
GSK Pharma	Neutral	3,295	-	27,908	2,870	3,158	20.0	22.1	59.5	68.3	55.4	48.2	16.3	16.8	28.5	34.3	9.2	8.4
Indoco Remedies	Neutral	326	-	3,000	1,088	1,262	18.2	18.2	13.1	15.5	24.9	21.0	4.9	4.1	21.2	21.1	2.8	2.4
Ipca labs	Buy	782	900	9,864	3,363	3,909	12.9	18.6	13.4	28.0	58.3	27.9	7.6	6.1	7.4	14.0	3.2	2.8
Lupin	Neutral	1,926	-	86,712	14,864	17,244	26.9	26.9	62.1	71.1	31.0	27.1	7.5	6.0	27.4	24.6	5.6	4.7
Sun Pharma	Accumulate	889	950	213,932	28,163	32,610	25.8	30.7	17.4	26.9	51.1	33.0	4.8	4.2	13.0	16.6	7.1	5.9
Power																		
Tata Power	Neutral	69	-	18,635	35,923	37,402	22.6	22.8	4.1	5.2	17.0	13.4	1.3	1.2	7.5	9.3	1.5	1.3
NTPC	Buy	133	157	109,417	87,064	98,846	23.4	23.5	11.7	13.2	11.3	10.1	1.3	1.2	11.4	12.1	2.3	2.0
Power Grid	Buy	129	170	67,357	20,702	23,361	86.7	86.4	12.1	13.2	10.7	9.7	1.6	1.4	15.6	15.1	8.2	7.6
Telecom																		
Bharti Airtel	Neutral	349	-	139,409	101,748	109,191	32.1	31.7	12.0	12.5	29.1	27.9	2.0	1.9	6.9	6.7	2.0	1.8
Idea Cellular	Neutral	140	-	50,305	34,282	36,941	32.0	31.5	5.9	6.2	23.7	22.5	2.2	2.0	9.9	9.3	2.0	1.9
Others																		
Abbott India	Neutral	5,570	-	11,835	2,715	3,153	14.5	14.1	134.3	152.2	41.5	36.6	10.3	8.5	27.4	25.6	4.1	3.4
Bajaj Electricals	Buy	246	341	2,481	4,719	5,287	5.2	5.8	8.6	12.7	28.7	19.4	3.3	2.9	11.4	14.8	0.5	0.5
Finolex Cables	Neutral	251	-	3,837	2,728	3,036	10.8	11.0	14.4	16.8	17.4	15.0	2.6	2.3	15.2	15.3	1.1	1.0
Goodyear India*	Buy	560	655	1,291	1,953	1,766	12.4	12.0	67.4	59.6	8.3	9.4	2.1	1.8	27.7	20.2	0.4	0.4
Hitachi	Neutral	1,345	-	3,657	1,779	2,081	7.8	8.8	21.8	33.4	61.7	40.2	10.0	8.1	17.4	22.1	2.1	1.8
Jyothy Laboratories	Neutral	308	-	5,581	1,620	1,847	11.5	11.5	7.3	8.5	42.3	36.4	5.5	5.1	13.3	14.4	3.3	2.8
MRF	Accumulate	39,692	45,575	16,834	20,316	14,488	21.4	21.1	5,488.0	3,797.9	7.2	10.5	2.5	2.0	41.1	21.2	0.8	1.0
Page Industries	Neutral	14,066	-	15,689	1,929	2,450	19.8	20.1	229.9	299.0	61.2	47.0	27.0	18.8	52.1	47.0	8.2	6.4
Relaxo Footwears	Neutral	524	-	6,288	1,767	2,152	12.3	12.5	19.2	25.1	27.2	20.9	6.7	5.1	27.7	27.8	3.6	2.9
Siyaram Silk Mills	Buy	933	1,145	875	1,636	1,815	11.5	11.5	89.9	104.1	10.4	9.0	1.7	1.5	17.9	17.8	0.7	0.6
Styrolution ABS India*	Neutral	790	-	1,390	1,271	1,440	8.6	9.2	32.0	41.1	24.7	19.2	2.5	2.3	10.7	12.4	1.1	0.9
Tree House	Buy	276	347	1,166	259	324	56.8	56.8	17.0	21.7	16.2	12.7	1.6	1.5	10.1	11.5	4.4	3.7
TVS Srichakra	Accumulate	2,902	3,210	2,222	2,127	2,388	15.2	14.9	237.7	267.5	12.2	10.8	5.2	3.7	51.7	39.7	1.1	0.9
HSIL	Accumulate	279	302	2,017	2,182	2,404	16.2	16.5	15.8	18.9	17.7	14.8	1.4	1.3	8.4	9.3	1.3	1.1
Kirloskar Engines India	Neutral	272	-	3,935	2,634	3,252	10.1	12.0	10.9	17.4	25.0	15.6	2.8	2.5	11.4	16.8	1.1	0.9
M M Forgings	Buy	531	670	641	541	634	21.7	21.4	47.8	55.9	11.1	9.5	2.2	1.8	21.8	20.9	1.3	1.1
Banco Products (India)	Neutral	130	-	933	1,208	1,353	10.9	12.3	10.8	14.5	12.1	9.0	1.4	1.2	11.9	14.5	0.7	0.6
Competent Automobiles	Neutral	146	-	90	1,007	1,114	3.0	3.1	23.7	28.2	6.2	5.2	0.9	0.8	13.9	14.6	0.1	0.1

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
					FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Nilkamal	Neutral	997	-	1,487	1,948	2,147	10.6	10.3	60.0	67.0	16.6	14.9	2.6	2.2	16.8	16.1	0.8	0.7
Visaka Industries	Buy	132	166	210	1,158	1,272	8.6	9.5	23.7	32.7	5.6	4.0	0.6	0.5	10.1	12.5	0.3	0.3
Transport Corp. of India	Neutral	281	-	2,134	2,830	3,350	8.8	9.0	14.4	18.3	19.5	15.3	3.0	2.6	15.4	17.1	0.9	0.8
Elecon Engineering	Neutral	77	-	838	1,452	1,596	14.0	14.7	4.4	6.2	17.4	12.3	1.4	1.3	8.6	11.2	0.9	0.7
Surya Roshni	Buy	134	183	585	2,992	3,223	8.3	8.5	14.7	18.3	9.1	7.3	0.8	0.8	9.7	11.0	0.5	0.4
MT Educare	Buy	137	169	546	286	366	18.3	17.7	7.7	9.4	17.7	14.6	3.7	3.3	21.0	22.2	1.8	1.4
Radico Khaitan	Buy	101	119	1,346	1,565	1,687	11.9	12.4	5.4	6.6	18.7	15.4	1.5	1.4	8.0	9.0	1.4	1.3
Garware Wall Ropes	Accumulate	344	390	752	875	983	10.4	10.6	23.1	27.8	14.9	12.4	2.1	1.8	14.1	14.8	0.9	0.7
Wonderla Holidays	Neutral	324	-	1,833	206	308	44.0	43.6	9.0	12.9	36.0	25.1	4.9	4.5	13.7	17.8	8.8	5.8
Linc Pen & Plastics	Accumulate	163	185	240	340	371	8.3	8.9	10.8	13.2	15.0	12.3	2.4	2.1	16.0	17.1	0.7	0.7
The Byke Hospitality	Accumulate	159	181	636	222	287	20.5	20.5	5.6	7.6	28.1	21.0	5.3	4.4	18.8	20.7	2.9	2.2

*Source: Company, Angel Research, Note: *December year end; #September year end; &October year end; ^June year end; Price as of October 30, 2015; Sesa Goa's numbers reflect the standalone Sesa Goa business only. We will revise our numbers once the consolidated entity Sesa- Sterlite is formed*

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	Reduce (-5% to -15%)	*Sell (< -15%)*	

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